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SUBJECT: FOREIGN MINISTER: AZERBAIJAN PRESSING FOR A
DIRECT GAS PURCHASE DEAL BETWEEN TURKEY AND TURKMENISTAN

Classified By: Ambassador Anne E. Derse, for reasons 1.4 (b,d).

11. (C) In an August 26 meeting with the Ambassador, Foreign Minister Elmar Mammadyarov said that President Ilham Aliyev on August 20 had encouraged Turkish Prime Minister Erdogan to sign a direct agreement with Turkmenistan to purchase gas at Turkmenistan's border. This proposal follows a similar discussion with Turkish President Gul at Kars, Turkey in July. Mammadyarov said that once such an agreement was completed, the Turks could then separately work out a transit deal with Azerbaijan. Erdogan reportedly replied that he needed more time to study the proposal. The Foreign Minister said that Azerbaijan would like to discuss U.S. views on how to advance this proposal with Special Envoy Boyden Gray and Energy Coordinator Steve Mann during their visit to Baku on September 8-9.

12. (C) Commenting more generally on the Turkmen President, Mammadyarov remarked, "He's turning out to be another Turkmenbashi. He's repeating the path of his predecessor." He said that no serious oil company will work with the Turkmen to extract energy from the Serder/Kapaz field without agreement from Azerbaijan. He added that Azerbaijan had successfully turned away attempts by LukOil and a Canadian firm seeking to exploit this field. He said that he had earlier proposed joint exploitation begin without a final decision on delimitation. He argued that in this case Turkmenistan and Azerbaijan could take advantage of existing Azeri infrastructure in the Caspian rather than investing billions in new infrastructure. Turkmen President Berdimukhamedov, however, appears to be "following the wrong path" in this regard, according to Mammadyarov.

13. (C) The Foreign Minister echoed President Aliyev's complaints (septel) about the Turkmen threatening legal action against Azerbaijan over Azerbaijan's claims on the Serder/Kapaz and Azeri-Chirag-Guneshli oil and gas fields. "It's a ridiculous waste of their money. I've seen the documents myself and they cannot win. Moreover, we would not respect the authority of any court on this issue," Mammadyarov remarked.

14. (C) Finally, the Foreign Minister noted that he believes that the Iranians are preparing to move their Alborz offshore drilling platform. (Note: This platform may be moved into or near territorial waters claimed by both Azerbaijan and Iran.) He said that his government had information that two ships which were large enough to tow the platform out to sea have been seen around the platform, but that the platform had not yet been moved. He added that Iran had built these two ships themselves specifically to provide the capacity to move offshore platforms.

